

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NSC-07 PRS-01 SP-02 SAJ-01 SSO-00

NSCE-00 VO-01 SCA-01 L-02 INR-10 CIAE-00 DRC-01 RSC-01

INRE-00 EUR-10 /055 W

----- 073903

O 101510Z OCT 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 3300

USDOC WASHDC IMMEDIATE

USTREASURY WASHDC IMMEDIATE

C O N F I D E N T I A L MOSCOW 15357

LIMDIS

E.O. 11652: GDS

TAGS: OVIP (SIMON, WILLIAM)

SUBJ: TRIP TO USSR BY SECRETARY SIMON

REF: MOSCOW 14773

1. IN CONVERSATION ABOUT MODALITIES OF SIMON TRIP, SOVIET FOREIGN TRADE MINISTRY OFFICIALS HAVE INDICATED THAT MINISTER PATOLICHEV ANTICIPATES DISCUSSING "NUMBER OF ISSUES" WITH SECRETARY. MFT REPRESENTATIVES HAVE BEEN UNWILLING ENUMERATE SPECIFIC ISSUES ENVISIONED BY PATOLICHEV, BUT EMBASSY ANTICIPATES THAT APART FROM GRAIN SALES, WHICH MAY BE PRINCIPAL ITEM, THESE WILL INCLUDE FOLLOWING:

2. TRADE BILL AND MFN: WHILE THEY HAVE NOT EXPRESSED IMPATIENCE, WE SENSE SOME SKEPTICISM ON SOVIET PART THAT ADMINISTRATION WILL ULTIMATELY SUCCEED IN PUSHING THROUGH CONGRESS A TRADE BILL WHICH WOULD PERMIT EXTENSION OF MFN TO USSR ON REASONABLE TERMS. PATOLICHEV WILL PROBABLY RAISE ISSUE IN CONTEXT OF APPARENT U.S. BUSINESS AND INDUSTRIAL INTEREST (STIMILATED BY US-USSR TRADE AND ECONOMIC COUNCIL AND OTHER GROUPS) IN BUSINESS WITH SOVIET UNION. HE MAY
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ARGUE THAT, GIVEN SOVIET WILLINGNESS, PRINCIPAL REMAINING OBSTACLE TO EXPANSION OF TRADE IS US GOVERNMENT.

3. CREDIT FACILITIES. SOVIETS HAVE RECEIVED FROM EARLIER OFFICIAL VISITORS INDICATIONS THAT PASSAGE OF LEGISLATION PERMITTING EXTENSION OF REASONABLE CREDIT FACILITIES TO USSR APPEARS LIKELY. PATOLICHEV AND COLLEAGUES MAY BE EXPECTED TO TAKE PREVIOUS TACK THAT TRADE CREDITS ARE AVAILABLE FROM SEVERAL OTHER MAJOR POTENTIAL SUPPLIERS. OBVIOUSLY, SOVIETS WILL SEEK BEST TERMS FOR EACH TRANSACTION, AND WITHOUT GOVERNMENT-SPONSORED LOAN OPPORTUNITIES US FIRMS WILL FIND IT DIFFICULT TO COMPETE IN SOVIET MARKET. EITHER PATOLICHEV OR ALKHIMOV WILL PROBABLY REPEAT SOVIET PRIORITIES FOR EXIM CONSIDERATION: YAKUTIA GAS EXPLORATION LOAN FOLLOWED BY CHEBOKSARY TRACTOR PLANT.

4. EXPORT LICENSES. SOME REFERENCE TO EXPORT CONTROL APPEARS INEVITABLE. QUESTION IS WHETHER SOVIETS WILL ATTEMPT TO TAKE UP SPECIFIC DETAILS. SECRETARY MAY WANT TO BE PREPARED DISCUSS PENDING COMPUTER LICENSES (INTOURIST, AEROFLOT AND KAMA, IN PARTICULAR) AND OUTLOOK FOR COOPERATION IN AIRCRAFT INDUSTRY.

5. COMMERCIAL VISAS. NEW COMMERCIAL VISA PROCEDURES ARE DISTURBING SOVIETS, WHO WILL PROBABLY URGE PATOLICHEV TO RAISE ISSUE. MINISTER BELYAK (MACHINE-BUILDING FOR ANIMAL HUSBANDRY AND FODDER PRODUCTION HAD DIFFICULT TIME WITH U.S. CUSTOMS SERVICE AT DULLES RECENTLY, AND SOVIETS MAY ALSO BRING THIS UP IN PASSING.

6. STAFFING OF SOVIET COMMERCIAL ORGANIZATIONS IN US.

PATOLICHEV MAY BE EXPECTED TO MAKE PITCH FOR MORE POSITIVE US ATTITUDE TOWARD PENDING SOVIET REQUESTS FOR ADDITIONAL PERSONNEL IN TRADE REPRESENTATION, KAMA PURCHASING COMMISSION AND AMTORG. HE WILL PROBABLY EXPRESS INTENT RAISE ISSUE AT NEXT JOINT COMMERCIAL COMMISSION SESSION.

7. NON-TARIFF TRADE BARRIERS. IN CONTEXT OF MFN, PATOLICHEV MAY RAISE SOVIET SALES DIFFICULTIES IN FACE OF RELUCTANCE
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SOME US COMPANIES TO "BUY SOVIET." HE WILL PROBABLY CITE EXPERIENCE ON ROCK ISLAND POWER PROJECT IN WASHINGTON, WHERE CONSUMER PRESSURE FORCED REJECTION WESTINGHOUSE/ SOVIET BID.

8. TIMING AND AGENDA FOR FIFTH MEETING OF JOINT COMMERCIAL COMMISSION. AS INDICATED REFTEL, PATOLICHEV WILL BE PREPARED TO DISCUSS POSTPONEMENT COMMERCIAL COMMISSION SESSION FROM JANUARY TO SPRING AND TO INDICATE SOVIET THINKING ON AGENDA. SECRETARY MAY WISH TO PUSH FOR ACCREDITATION OF

MOSCOW OFFICES FOR ADDITIONAL US FIRMS, MORE FORTHCOMING
SOVIET STANCE ON PROVISION OF OFFICE AND APARTMENT SPACE
FOR MOSCOW-BASED COMPANY REPRESENTATIVES, AND PROVISION OF
MULTIPLE ENTRY"EXIT VISAS FOR ALL ACCREDITED STAFF MEMBERS
OF THOSE OFFICES.

9. MEETING OF EXPERTS ON ECONOMIC AGREEMENT. PATOLICHEV
WILL AGREE TO POSTPONEMENT FROM OCTOBER TO NOVEMBER/
DECEMBER. SECRETARY MAY WISH EMPHASIZE IMPORTANCE US
GOVERNMENT ATTACHES TO CONCRETE RESULTS FROM THIS AND
SUBSEQUENT MEETINGS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW15357
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740288-0583
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741056/aaaabvwr.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: MOSCOW 14773
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2002 by rowelle0>; APPROVED <13 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRIP TO USSR BY SECRETARY SIMON
TAGS: OVIP, (SIMON, WILLIAM)
To: STATE TREASURY DEPT WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005